

INTERNATIONAL TRUST COMPANY

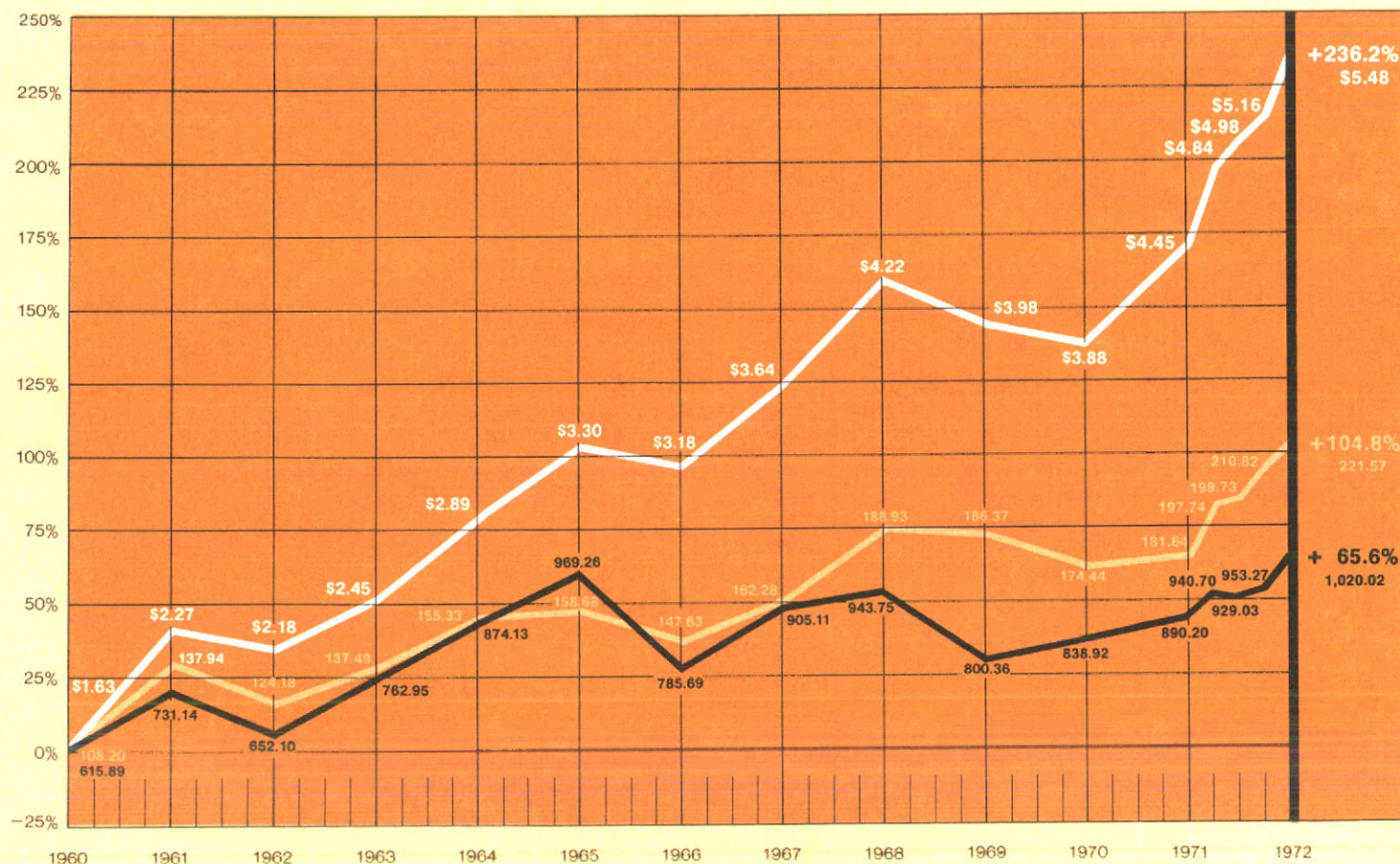
**Fourth
Quarter Report
Diversified
Investment Funds
October 1 to
December 31, 1972**

4

Andreae Equity Investment Fund Limited

Comparisons between	GRAPH COLOUR	VALUE DEC. 31/72	VALUE DEC. 31/60	PERCENT CHANGE SINCE DEC. 31/60
Andreae Equity Fund (Excl. Div.)	□	\$ 5.48	\$ 1.63	+ 236.2%
T.S.E. Industrial Index	■	221.57	108.20	+ 104.8%
Dow Jones Industrial Average	■	1,020.02	615.89	+ 65.6%

These comparisons are based upon closings from December 31, 1960 to December 31, 1972





As we look back at 1972, we know that it was a good year, but exactly how good is not yet apparent. Throughout the year we had consistently estimated that Gross National Product in real terms, would be up about 6.5%. We have only preliminary indications for the fourth quarter, but the poor third quarter and the recent downward revisions in earlier data, lead us to believe this will be too high. Real growth in GNP of perhaps 6%, or even fractionally below, seems all we can now expect for 1972.

Nonetheless it stands as an excellent year. Over the two decades, 1950-1970, the average growth rate of Canada's real GNP was roughly 5%, so that 1972, the second year of the recovery from the 1969-1970 recession, was well above the long term norm.

At the same time, it is somewhat disturbing to note that inflation was running above our estimate of roughly 4%. In fact, it could even be fractionally above 4.5%, which means the total growth of the economy, that is real growth plus inflation, will be around our original estimate of 10.5%, though we had originally expected more volume increase and less inflation.

It is important to understand the reasons why the economy underperformed expectations. The third quarter weakness can quite largely

be attributed to very weak export sales which in turn were affected by strikes both at home and abroad, and by the lengthy shut-down of a major automobile plant.

Secondly, capital spending by business has not yet made a substantial contribution to the recovery. This is not unusual at the present stage since nonresidential construction and machinery and equipment purchases normally lag the economy. During the last expansion of 1961-1969, business investment did not really start to move up until 1963, two years after the recovery got started.

There has been ample industrial capacity, and industry has been able to fill rising sales by increasing its utilization rate. Now some businesses are reaching the point where there is no longer sufficient slack, and we would expect capital spending to move up at a higher rate in 1973.

Rising capital investment should continue on into 1974 and indeed could be the feature of the economy over the next two years as consumer spending has been over the past two years.

Another very important facet to the present recovery is the high rate of consumer savings. The savings rate ran mostly under 6% during the 1960's, then climbed strongly in 1971 to roughly 7.4%.

During the second quarter of 1972 it rose to 10.2%, and in the third quarter dropped back to 8.9%, still well above historical levels.

Incomes have been growing very rapidly as the substantial wage gains of recent years have started to affect the growth of labour income. This is a valid reason for expecting a continuing high rate of consumer spending during 1973.

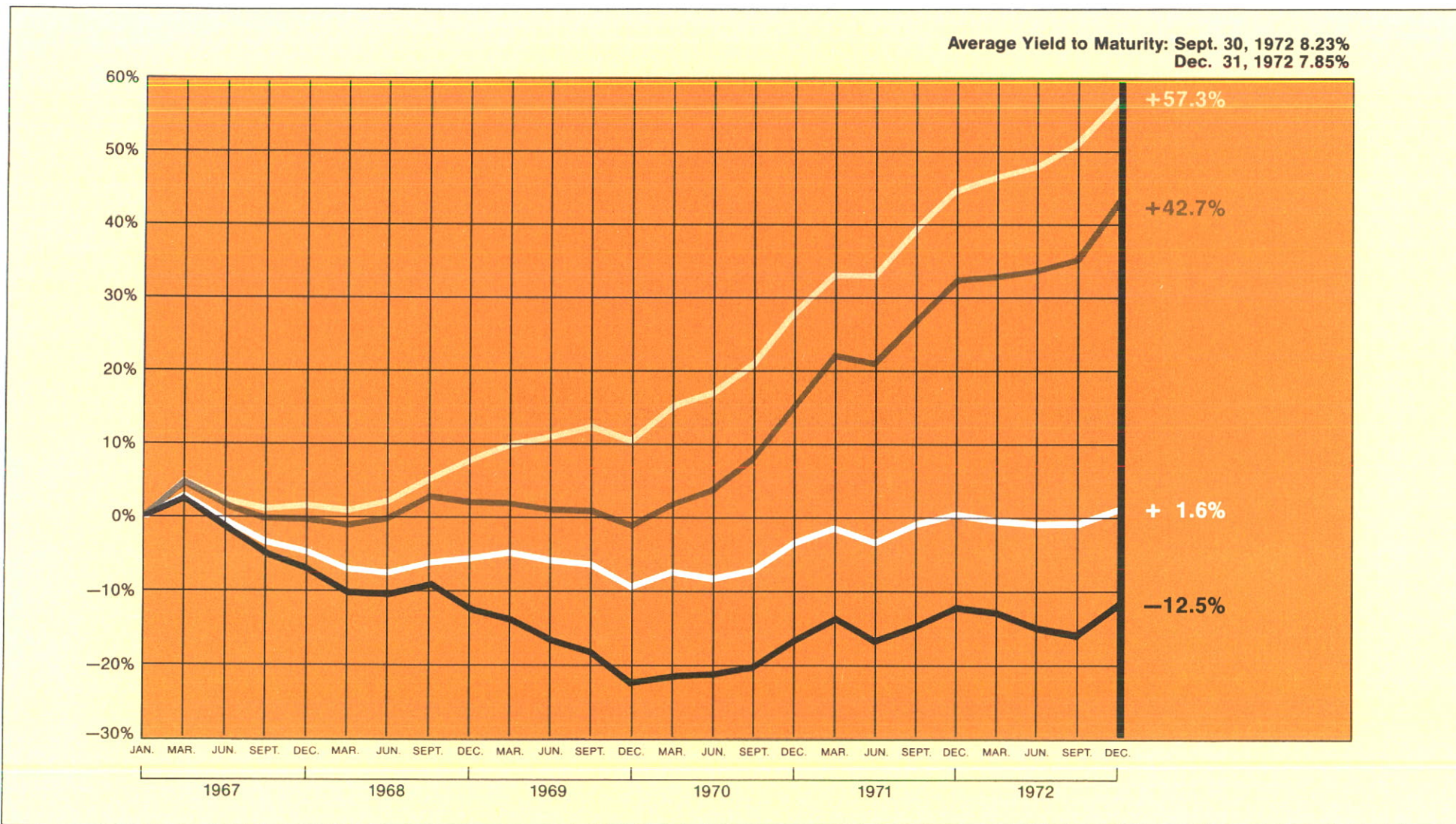
In greater perspective, it is possible we are in the midst of what could be a relatively long expansion, possibly similar to the 1960's. For this year we think Gross National Product in real terms will be up around 6%. Inflation will continue to dog the economy, and could run between 4% and 4.5% about where it is at the moment. This means the total growth of the economy in 1973 could be in the order of 10% and possibly slightly higher.

Corporation profits which may turn out to have increased around 15% pre tax in 1972 should have another good year in 1973. On a preliminary basis we are estimating a gain of 10% before taxes which should provide a favourable economic setting for the stock market.

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Fixed Income Fund

Comparisons between	GRAPH COLOUR	VALUE DEC. 31/72	VALUE SEPT. 30/72	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Fixed Income Fund	□	\$ 10.16	\$ 9.97	+ 1.9%	+ 1.6%
Fixed Income Fund (Incl. Income)	■	\$ 15.73	\$ 15.16	+ 3.8%	+ 57.3%
40-Bond Index	■	58.12	56.17	+ 3.5%	-12.5%
40-Bond Index (Incl. Income)	■	234.20	221.72	+ 5.6%	+ 42.7%



Fixed Income Fund



Investment Portfolio

Bonds/Convertible Bonds 94% Par Value		Market Value Dec. 31, 1972	Bonds/Convertible Bonds 94% Par Value		Market Value Dec. 31, 1972
\$200,000	Govt. of Canada 7% Jul. 1/77	\$ 207,500	\$500,000	General Motors Accept. 7¾% Apr. 28/75	\$ 511,875
400,000	Govt. of Canada 6½% Jun. 1/79	402,000	150,000	Gulf Oil 8½% Dec. 1/89 Prepay Dec. 1/74	157,500
200,000	Prov. of Alta. 8¼% Apr. 15/90		200,000	Gulf Oil 8¼% Sept. 15/75	
	Prepay Apr. 15/75	216,500		Ext. 8¼% Sept. 15/90	211,000
150,000	Man. Hydro 9% Apr. 1/90 Prepay Apr. 1/75	163,125	200,000	Home Oil Conv. 5½% Feb. 1/92	232,000
150,000	N.B. Elec. Pwr. Comm. 9% Aug. 1/75		100,000	Imperial Oil 8½% Aug. 15/89	
	Ext. Aug. 1/90	159,375		Prepay Aug. 15/74	105,500
250,000	Prov. of Nova Scotia 8¼% Aug. 1/94	268,819	200,000	Intl. Nickel 9¼% Oct. 1/90	218,000
450,000	Prov. of Ont. 8% Aug. 1/97 Prepay Aug. 1/80	471,375	350,000	Intl. Nickel 8¼% Jun. 30/91	365,750
200,000	Hydro Elec. Pwr. Comm. of Ont.		300,000	Interprovincial Pipe Line 9¼% Dec. 1/90	324,000
	9% Apr. 1/94	220,500	300,000	John Labatt 9¼% Sept. 1/90	321,000
200,000	Hydro Elec. Pwr. Comm. of Ont.		200,000	Maritime Tel. & Tel. 8¼% Jun. 15/77	
	7¼% Apr. 5/97	196,000		Ext. Jun. 15/90	206,500
200,000	Prov. of Sask. 8¼% Dec. 1/90	214,000	500,000	Molson Industries 8¼% Nov. 1/91	505,000
200,000	Alta. Gas Trk. 8% Dec. 15/91	200,000	100,000	N.B. Tel. 9¼% Jun. 1/90 Prepay Jun. 1/75	106,500
400,000	Alum. Co. of Canada 9¼% Jan. 2/91	432,000	200,000	Noranda Mines 9¼% Oct. 15/90	215,000
500,000	Bank of Montreal		136,000	Northern Electric 9½% Apr. 30/90	146,880
	7% Apr. 1/78—7½% Apr. 1/92	497,500	400,000	Pacific Petroleum Conv. 5% May 1/92	452,000
400,000	Bank of Nova Scotia		350,000	Royal Bank of Canada 7% Apr. 15/91	
	6¼% Jul. 1/78—7% Jan. 1/92	390,000		Prepay Apr. 15/77	348,250
200,000	Bell Canada 8% May 1/77 Ext. 8¼% May 1/90	205,000	100,000	Simpsons-Sears Acc. 9½% Feb. 1/90	
300,000	Bell Canada 9¼% Aug. 14/90	330,000		Prepay Feb. 1/75	108,000
500,000	Bell Canada 8% Nov. 15/94	500,000	400,000	Steel Co. Canada 9¼% Nov. 1/90	430,000
400,000	Bell Canada 8¼% Aug. 1/93	412,000	200,000	T.D.R.I. Limited Conv. 5½% Feb. 15/93	240,000
300,000	Beneficial Fin. Co. of Canada 9% Jan. 2/91		225,000	Trans-Canada Pipe 10% Jun. 20/90	249,750
	Prepay Jan. 2/76	310,500	200,000	Trans-Canada Pipe 9¼% Sept. 20/90	218,000
500,000	Canadian Imperial Bank of Commerce		100,000	Westcoast Transmission Conv.	
	7¼% Dec. 15/92 Prepay Dec. 15/78	498,125		7½% Jan. 1/91	109,000
120,000	Consumers Gas Conv. 5½% Feb. 1/89	110,400			\$13,108,474
200,000	Dominion Textile Conv. 5¼% Oct. 12/92	200,000		Cash & Short-Term Notes	\$ 865,834
200,000	Distillers Corp.-Seagrams Ltd.				\$ 865,834
	7% Dec. 15/78	195,250			
300,000	Dominion Foundries and Steel 9% Feb. 1/91	318,000			
200,000	T. Eaton Acceptance 8¼% Jul. 15/74				
	Ext. Jul. 15/79 or Jul. 15/89	209,000			
			Reserve—6%		
				Total Assets as at Market Dec. 31, 1972	<u>\$13,974,308</u>

Fixed Income Fund

Portfolio Review and Analysis

The fixed income markets were better throughout the last quarter of 1972. Short and medium term interest rates held steady while long-term rates declined, especially in the current coupon issues.

Short-term rates held close to the levels that were reached after the Winnipeg Agreement in mid-June. During the quarter there was an unexpected further small reduction in the maximum rates paid by the chartered banks on deposits. This had little long lasting influence on other rates. Ninety day commercial paper closed the year at 5¼%. The Canadian dollar declined during the quarter and traded briefly below parity with the U.S. dollar but closed the year at \$1.0050 U.S. One of the reasons for the decline in the Canadian dollar was the increase in short-term rates both in the U.S. and in the Euro-dollar markets. This led to some outflow from Canada. It was, however, not significant enough to have any effect on the Canadian short-term rate structure.

The long-term market was stronger throughout this period. On the year interest rates were slightly higher at the close than in January. This was more noticeable in the Provincial area which was approximately one-half of 1%

higher. Corporate rates were up marginally. During the quarter it became evident that there was substantial uninvested cash in the hands of institutions, and this was a major reason for the improvement in the market. We also witnessed a very successful Canada Savings Bond issue which provided the cash requirements that the Government needed for this fiscal year, and in all probability, takes them out of the market for new funds for some time. Foreigners continued to buy long-term Canadian pay bonds, and the uncertainty caused by the Federal election results did not seem to concern them. Also helping the tone of the long-term market were continued sales in the U.S. and Euro-dollar markets of issues by both Provincial and Municipal bodies. A feature of this quarter in the bond market was the large amount of debenture financing by the chartered banks. The banks have raised \$240 million since October 1, 1972.

During this period the unit value of the Fixed Income Fund increased 1.9%. This was somewhat below the improvement registered in the general market and was mainly due to some consolidation of the Fund with the intention of shortening term. This was done by the pur-

chase of both straight short-term issues and by increasing our holding of retractable bonds. For the year 1972 the Fixed Income Fund unit value showed an increase of 1% (excluding income) compared with the McLeod, Young, Weir 40-Bond Index which was down 0.5%.

In 1973 we expect short-term rates to increase but probably only in the range of 1% from current levels which would bring 90 day paper to about 6¼%. This would be more in line with U.S. and Euro-dollar rates.

In the long-term market we look for rates to move in a relatively narrow channel certainly in the first half of the year. We envision this trend as between 7¼% and 8½%

on prime Corporate bonds. While long-term interest rates are dependent on such domestic considerations as the demand supply factor and the inflation rate, 1973 will also see them continue to respond to the international situation. They will be effected by the money flows to Canada which seem likely to continue due to the worsening inflation situation in Europe, and unless there is any action taken by foreign sources, we see no letup in the borrowing by Canadian provinces, etc. in outside markets. Therefore, it is likely that external interest rates, currently lower than ours, will have the effect of putting a top on our market.

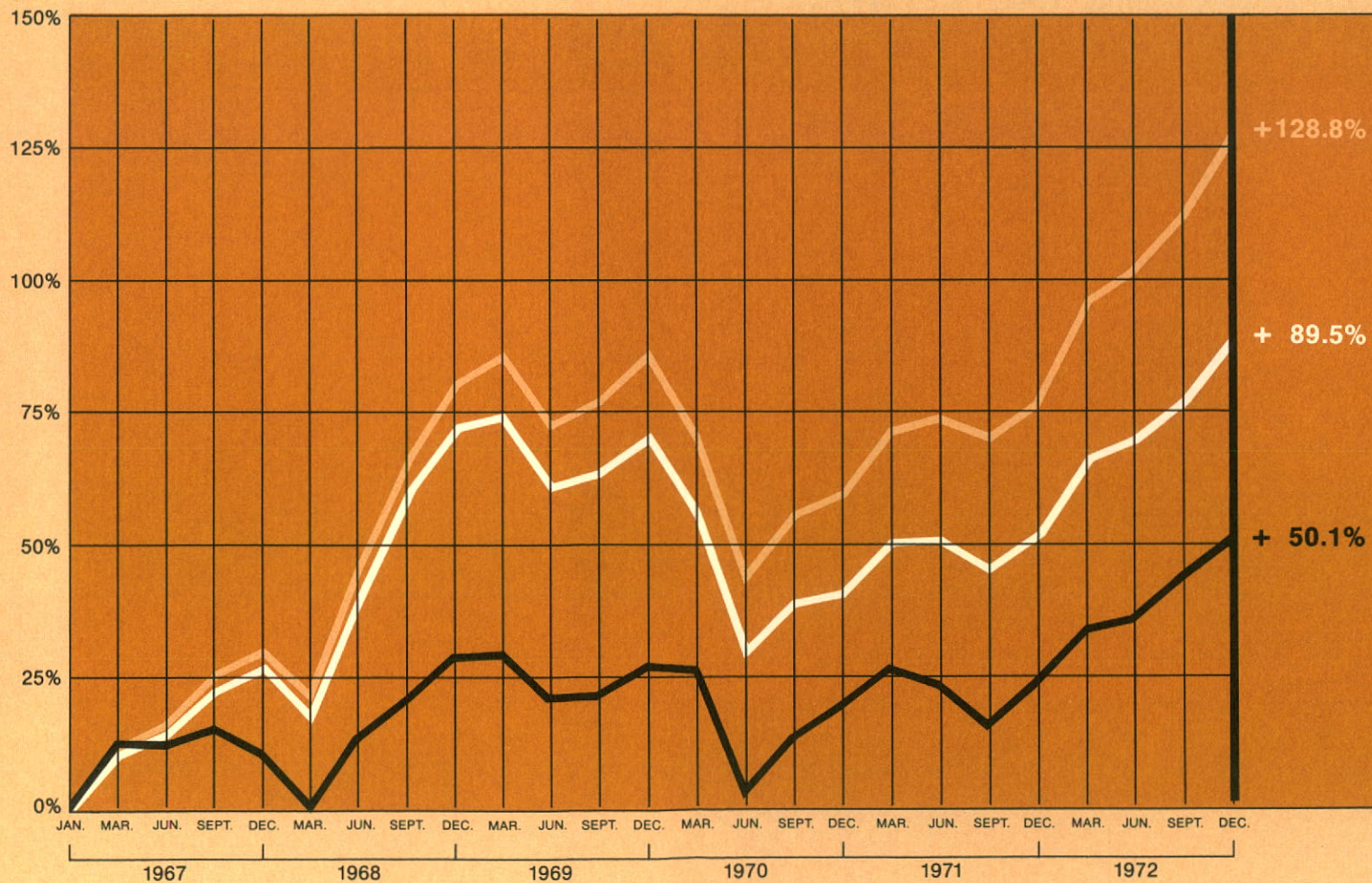
Portfolio Composition:

	Sept. 30, 1972	Dec. 31, 1972
Reserve	12%	6%
Canadas	2%	4%
Provincials	16%	14%
Corporates	63%	66%
Conv. Debs.	7%	10%
	<u>100%</u>	<u>100%</u>

Canadian Equity Fund



Comparisons between	GRAPH COLOUR	VALUE DEC. 31/72	VALUE SEPT. 30/72	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Canadian Equity Fund	□	\$ 18.95	\$ 17.78	+ 6.6%	+ 89.5%
Canadian Equity Fund (Incl. Income)	■	\$ 22.88	\$ 21.32	+ 7.3%	+ 128.8%
T.S.E. Industrial Index	■	221.57	210.82	+ 5.1%	+ 50.1%



Canadian Equity Fund

Investment Portfolio

Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Dec. 31, 1972	Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Dec. 31, 1972
Banks—14.4%				Construction & Material—2.3%			
25,000	Bank of Nova Scotia	37½	\$ 940,625	10,200	Dominion Bridge Company Ltd.	32½	\$ 331,500
48,000	Canadian Imperial Bank of Commerce	30¾	1,476,000	25,000	Genstar Limited	16¾	421,875
33,000	Royal Bank of Canada	37½	1,225,125				\$ 753,375
30,000	Toronto Dominion Bank	34½	1,035,000				
			<u>\$ 4,676,750</u>				
Beverages—5.9%				Forest Products—4.0%			
20,000	Distillers Corporation- Seagrams Limited	43	\$ 860,000	70,000	Abitibi Paper Company Ltd.	10½	\$ 735,000
18,000	Molson Industries Limited C1 A	29½	531,000	31,500	Domtar Limited	18¼	574,875
10,000	Hiram Walker-Godderham & Worts, Limited	52¾	527,500				<u>\$ 1,309,875</u>
			<u>\$ 1,918,500</u>				
Communications—10.9%				Insurance—9.0%			
32,200	Baton Broadcasting Inc.	12¾	\$ 410,550	15,000	Crown Life Insurance Company	61	\$ 915,000
25,000	Canadian Cablesystems Limited	18	450,000	15,000	Great-West Life Assurance Company	75½	1,132,500
22,800	Southam Press Limited	30¾	692,550	25,100	M I C C Investments Ltd.	34½	865,950
30,000	Standard Broadcasting Corp. Ltd.	13½	405,000				<u>\$ 2,913,450</u>
54,000	Thomson Newspapers Limited	13¾	722,250				
12,000	Toronto Star Limited B	71	852,000				
			<u>\$ 3,532,350</u>	Merchandising—3.3%			
				5,000	Canadian Tire Corporation, Ltd. C1 A	64	\$ 320,000
				5,000	Simpsons-Sears Limited	47	235,000
				\$225,000	Woodward Stores Limited 6.75% 9/1/89 Conv. Debs.155		348,750
				5,000	Woodward Stores Limited C1 A	31½	157,500
							<u>\$ 1,061,250</u>



Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Dec. 31, 1972	Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Dec. 31, 1972
Mines & Metals—12.3%				Pipelines—2.7%			
15,000	Alcan Aluminum Limited	22¾	\$ 341,250	30,000	Interprovincial Pipe Line Company	29	\$ 870,000
10,000	Bethlehem Copper Corporation Ltd.	14¾	147,500	Steel—6.4%			
14,000	Hudson Bay Mining & Smelting Co. Ltd.	20¼	283,500	20,000	Dominion Foundries & Steel, Limited	28¾	\$ 572,500
50,000	International Nickel Co. of Canada	31⅞	1,593,750	40,000	Steel Company of Canada, Limited	37⅞	1,485,000
15,000	Mattagami Lake Mines Limited	37	555,000	<u>\$ 2,057,500</u>			
15,000	McIntyre Porcupine Mines, Limited	44½	667,500	Trust & Loan—3.1%			
10,000	Placer Development, Limited	39¾	393,750	15,000	Huron & Erie Mortgage Corporation	34	\$ 510,000
			<u>\$ 3,982,250</u>	10,000	Royal Trust Company	50¾	507,500
				<u>\$ 1,017,500</u>			
Oil & Gas—14.3%				Miscellaneous Industrials—2.6%			
10,000	Aquitaine Company of Canada Ltd.	27⅞	\$ 276,250	25,000	Canadian Pacific Limited	16	\$ 400,000
15,000	Canadian Superior Oil Ltd.	57¼	858,750	34,000	Commonwealth Holiday Inns of Canada Limited	12¾	429,250
10,000	Dome Petroleum Limited	43¼	432,500	<u>\$ 829,250</u>			
10,000	Gulf Oil Canada Limited	39⅞	398,750	Office Equipment—6.5%			
10,000	Hudson Bay Oil & Gas Co. Ltd.	57½	575,000	40,000	Moore Corporation, Limited	52½	\$ 2,100,000
20,000	Husky Oil Ltd.	18¾	375,000	<u>\$31,642,167</u>			
18,000	Pacific Petroleums Ltd.	44¾	747,000	Reserve—2.2%			
11,000	Shell Canada Limited C1 A	60¼	662,750	Cash & Short-Term Notes			
17,301	Chieftain Development Co. Ltd.	17	294,117	<u>\$ 727,687</u>			
			<u>\$ 4,620,117</u>	<u>\$ 727,687</u>			
				Total Assets as at Market Dec. 31, 1972			
				<u><u>\$32,369,854</u></u>			

Canadian Equity Fund

Portfolio Analysis

Portfolio Balance

	Dec. 31/71	Sept. 30/72	Dec. 31/72
Common Stocks & Equivalents	91.3%	92.6%	97.8%
Reserve	8.7	7.4	2.2
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Portfolio Composition

	Dec. 31/71	Sept. 30/72	Dec. 31/72
Consumer Products & Services	42.9%	39.9%	48.0%
Cyclical	18.9	29.3	26.3
Energy	10.2	15.3	14.3
Regulated	15.7	2.9	2.7
Technology	3.6	5.2	6.5
Reserve	8.7	7.4	2.2
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Largest Common Stock Holdings as at Dec. 31, 1972 (By Market)

	Percent of Total Portfolio
Moore Corporation Limited	6.5%
International Nickel Co. of Canada	4.9%
Steel Company of Canada	4.6%
Canadian Imperial Bank of Commerce	4.6%
Royal Bank of Canada	3.8%

Portfolio Review

The Canadian stock market finished the year 1972 with the Toronto Stock Exchange Industrial Index at an all time high. The close on this Index of 221.57 was 22% above the close on 31 December 1971. For the fourth quarter, the period under review here, the gain was roughly 5%.

1972 was a year when the Canadian stock market fairly consistently out-performed the U.S. stock market. The Toronto Stock Exchange Industrial Index showed greater gains than either the Dow Jones Industrial Average or the Standard & Poor Index of 425 Industrials in all quarters except the fourth.

By far the largest gain during the year was made by the oil refining group which was up almost 59%. The related group, western oils increased roughly 27% in the year. In the Canadian Equity Fund almost 14% was invested in these categories at the end of the quarter. Imperial Oil was sold late in the period so that the total position was down slightly from the end of the third quarter.

Communications, in which the Canadian Equity Fund has an 11% position, were the second strongest group in the Index, being up 45% in the year.

Other strong groups in which the Fund has a good position included beverages (up 34%), steel (up 29%), and trust and loan (up 31%).

During the quarter the consumer section was increased from 40% to 48% of the portfolio, through additions to Woodwards, Simpsons-Sears and Canadian Tire in the merchandising group, Toronto-Dominion Bank and Bank of Nova Scotia in the banks, and new investments were made in Huron & Erie, Baton Broadcasting and Crown Life.

The small position in Commonwealth Holiday Inns was increased and so was Moore Corporation, the largest holding in the Fund. Moore was 6.5% of the Fund at year end.

The second largest holding was International Nickel while Steel Company of Canada and Canadian Imperial Bank of Commerce were roughly equal with 4.6% invested in both.

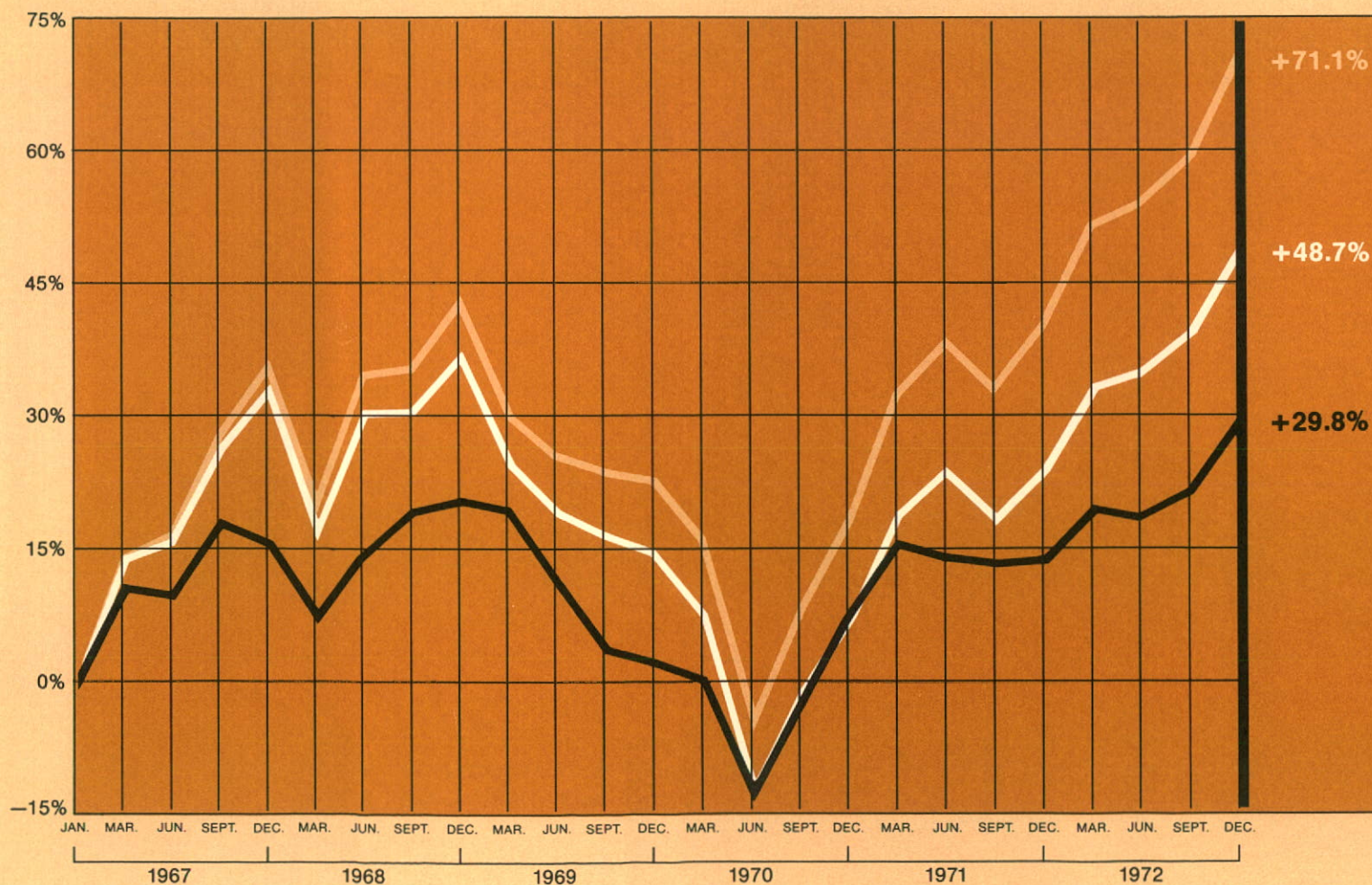
At 31 December 1972 the Fund had a unit value of 18.952 and was up 24.7% in the year and 6.6% in the quarter.

The Fund was virtually fully invested at year end with a cash reserve of 2.2%.

International Equity Fund



Comparisons between	GRAPH COLOUR	VALUE DEC. 31/72	VALUE SEPT. 30/72	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
International Equity Fund	□	\$ 14.87	\$ 13.92	+ 6.8%	+ 48.7%
International Equity Fund (Incl. Income)	■	\$ 17.11	\$ 15.96	+ 7.2%	+ 71.1%
Dow Jones Industrial Average	■	1,020.02	953.27	+ 7.0%	+ 29.8%



International Equity Fund

Investment Portfolio

Par Value Shares	Convertible Securities or Common Stocks	Market Value Dec. 31/72
Consumer Products & Services—35.1%		
10,000	American Hospital Supply Corporation	\$ 487,856
2,000	A.R.A. Services, Inc.	302,172
6,000	Avon Products Incorporated	816,910
11,000	C.R. Bard Inc.	410,695
6,500	Citizens & Southern National Bank, Georgia	312,253
3,700	Coca-Cola Company	547,046
5,000	Colonial Penn. Group	317,355
2,582	First National Bank of Dallas	227,507
6,100	General Mills, Inc.	390,969
4,000	Johnson & Johnson	519,716
15,000	S. S. Kresge Co.	729,918
21,500	Marcor Inc.	612,745
5,000	J. C. Penney Co.	449,898
25,900	Ramada Inns, Inc.	522,180
6,000	Sears Roebuck	692,955
		<u>\$ 7,340,175</u>
Cyclical—12.3%		
9,000	Armstrong Cork Company	\$ 295,701
6,500	Atlantic Richfield Company	503,164
6,900	Ford Motor Company U.S.	547,009
10,200	General Electric Company	740,073
13,000	Huyck Corporation	477,278
		<u>\$ 2,563,225</u>

Par Value Shares	Convertible Securities or Common Stocks	Market Value Dec. 31/72
Regulated—5.7%		
10,000	Allegheny Power System, Inc.	\$ 243,928
8,000	Continental Telephone Corporation	205,099
11,600	Southern California Edison Company	320,492
10,000	Southern New England Tel.	428,119
		<u>\$ 1,197,638</u>
Technology—43.7%		
4,400	A.M.P. Incorporated	\$ 560,736
5,600	Eastman Kodak Company	827,265
7,109	International Business Machines Corporation	2,845,315
8,700	International Telephone & Telegraph	521,882
7,000	Merck, Inc.	621,146
8,000	Minnesota Mining & Manufacturing Company	682,003
15,000	Perkin-Elmer Corporation	571,240
12,500	Rank Organization Ltd. "A" Ord.	290,625
4,000	Schering-Plough Corp.	545,603
3,500	Texas Instruments Inc.	633,778
6,950	Xerox Corporation	1,032,749
		<u>\$ 9,132,342</u>
Reserve—3.2%		
	Cash & Short-Term Notes	\$ 672,158
		<u>\$ 672,158</u>
Total Assets as at Market, Dec. 31, 1972		<u>\$20,905,538</u>



Portfolio Analysis

Portfolio Review

Portfolio Balance

	Dec. 31/71	Sept. 30/72	Dec. 31/72
Common Stocks & Equivalents	99.4%	91.7%	99.2%
Reserve	0.6	8.3	0.8
	100.0%	100.0%	100.0%

Portfolio Composition

	Dec. 31/71	Sept. 30/72	Dec. 31/72
Consumer Products & Services	27.8%	34.6%	35.1%
Cyclical	24.6	16.1	12.3
Regulated	7.7	4.1	5.7
Technology	39.3	36.9	43.7
Reserve	0.6	8.3	3.2
	100.0%	100.0%	100.0%

Largest Common Stock Holdings as at Dec. 31, 1972 (By Market)

	Percent of Total Portfolio
International Business Machines Corporation	13.6%
Xerox Corporation	4.9%
Eastman Kodak Company	4.0%
Avon Products Incorporated	3.9%
General Electric Company	3.5%

Stock prices in the U.S. as measured by the popular indices moved to all time highs in the fourth quarter of 1972, and finished the year not far below their peaks.

The Dow Jones Industrial Average, perhaps the most popular measure of the American market, moved through the historic 1000 level in November and went on to a top of roughly 1036 before closing at 1020. For the year as a whole this index was up 14.6%.

The Standard & Poor's 425 Industrial Index, which is a broader and many think a better measure of the market was up 17% during the year.

In this general setting, the International Equity Fund increased 20.7%, well ahead of both of these general measures of the market.

During the last quarter of the year the U.S. Market was stronger than the Canadian. The Dow Jones Industrial Average was up 7%, the Standard & Poor's 425 was up 6.6% and the International Equity Fund was up 6.8%, all more less about the same. The Toronto Stock Exchange Index was up 5.1% in the fourth quarter.

The cyclical content of the portfolio was cut in half during 1972, and represented about 12.3% of the portfolio at year end. In the last quarter sales from the cyclical category included General Motors,

Sybron Corporation and Amerada Hess.

The consumer groups were increased during the year from 28% to 35% of the portfolio. Most recently Federated Department Stores and Dayton Hudson were sold from the merchandising group and Sears Roebuck, Marcor and S. S. Kresge were purchased.

The technology group was boosted from 39% at year end 1971 to 44% at year end 1972. In the latest quarter the positions in IBM, Texas Instruments, and Minnesota Mining & Manufacturing were all increased, and a new position was established in Merck Inc.

In the regulated group, about 6% of the portfolio, the largest addition in the fourth quarter was to Southern New England Telephone.

IBM was the largest holding at 31 December 1972 being 13.6% of the portfolio compared to 9.6% at year end 1971.

Xerox is still the second largest holding but the position declined from 7.3% to 4.9% in the year. Eastman Kodak moved from fourth to third place and the size is slightly larger at 4% compared to 3.6% at 1971 year end.

Atlantic Richfield and Ramada Inns have been replaced in the five largest holdings by Avon Products (3.9%) and General Electric (3.5%).

Special Situations Fund

Comparisons between	GRAPH COLOUR	VALUE DEC. 31/72	VALUE SEPT. 30/72	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Special Situations Fund	□	\$14.04	\$14.35	-2.2%	+ 40.4%
Special Situations Fund (Incl. Income)	□	15.48	15.68	-1.3%	+ 54.8%



We have decided to liquidate the Special Situations Fund effective 31 December 1972. Participants have been credited with the value of their investment at the unit price of 14.038 which existed at that date.

The Fund is being wound up at a time when it is close to its all time high, which seems an appropriate moment to take such action.

The Fund has not been an effective means of investing pension fund money.

Moreover, it is difficult to follow such a broad list of small companies and hope to be familiar with all their affairs so that we can make knowledgeable investments. It is more efficient for us to concentrate on the major areas of equity investment and on a selected list of "special situations" which can be used as part of the major portfolios.

Our principal concern is to have a consistent above average return from the funds under our administration, and not to attempt more spectacular results from highly risky investments.

Unit Values of Diversified Investment Funds Since Inception



Fixed Income Fund

Canadian Equity Fund

International Equity Fund

Special Situations Fund

	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.
1966 Dec. 31	\$10.00		\$10.00	\$10.00		\$10.00	\$10.00		\$10.00			
1967 Mar. 31	10.35	\$.15250	10.50	11.02	\$.08496	11.11	11.34	\$.07453	11.42			
Jun. 30	9.93	.15802	10.24	11.45	.06572	11.61	11.55	.03725	11.67			
Sept. 30	9.64	.15580	10.10	12.25	.08703	12.51	12.60	.05288	12.79			
Dec. 31	9.52	.15734	10.14	12.65	.09396	13.02	13.28	.05561	13.54			
1968 Mar. 31	9.31	.15230	10.08	11.70	.04903	12.09	11.70	.08460	12.01			
Jun. 30	9.27	.15638	10.20	13.82	.11686	14.41	13.01	.08619	13.44			
Sept. 30	9.40	.14994	10.51	15.80	.08629	16.57	13.05	.04973	13.54	\$10.00		\$10.00
Dec. 31	9.45	.14652	10.73	17.06	.11004	18.00	13.67	.05368	14.24	11.61	\$.06317	11.68
1969 Mar. 31	9.52	.16292	11.00	17.43	.15656	18.56	12.43	.06699	13.02	11.70	.04916	11.82
June 30	9.42	.16498	11.07	16.17	.15326	17.37	11.90	.06998	12.53	11.52	.07071	11.70
Sept. 30	9.37	.18507	11.23	16.39	.16343	17.79	11.62	.12530	12.37	10.75	.08022	11.00
Dec. 31	9.05	.20602	11.09	16.99	.11949	18.57	11.40	.12480	12.27	10.69	.06092	11.00
1970 Mar. 31	9.26	.17651	11.57	15.54	.15469	17.15	10.72	.12092	11.66	9.86	.09323	10.24
June 30	9.18	.18571	11.70	12.93	.13116	14.40	8.76	.11073	9.64	8.27	.09382	8.69
Sept. 30	9.30	.19003	12.10	13.82	.17910	15.60	9.83	.06254	10.89	8.93	.06813	9.45
Dec. 31	9.64	.19492	12.80	14.03	.13295	15.98	10.62	.04831	11.82	9.12	.05220	9.71
1971 Mar. 31	9.82	.19593	13.33	15.03	.12995	17.28	11.84	.05244	13.24	10.59	.03109	11.31
June 30	9.64	.18892	13.31	15.04	.12842	17.44	12.30	.04849	13.81	11.27	.04918	12.09
Sept. 30	9.90	.20070	13.96	14.59	.11095	17.05	11.79	.05142	13.30	10.67	.02346	11.47
Dec. 31	10.06	.19743	14.46	15.19	.10311	17.87	12.32	.05237	13.96	11.31	.04255	12.21
1972 Jan. 31	10.05	.06417	14.54	16.44	.04942	19.40	12.68	.00757	14.37	12.86	.02340	13.90
Feb. 29	10.08	.05696	14.66	17.04	.02417	20.14	13.13	.02510	14.91	13.58	.00249	14.68
Mar. 31	10.00	.06384	14.64	16.60	.04316	19.67	13.30	.01673	15.14	13.44	.03283	14.57
Apr. 30	9.92	.06185	14.61	16.59	.03088	19.69	13.38	.00593	15.24	14.01	.00110	15.19
May 31	9.94	.06459	14.73	17.09	.03619	20.33	13.57	.02489	15.48	14.32	.02088	15.54
June 30	9.93	.06182	14.81	16.95	.04607	20.21	13.46	.01568	15.37	14.16	.04194	15.42
July 31	9.94	.06567	14.93	17.34	.01830	20.76	13.53	.01097	15.47	14.66	.01346	15.98
Aug. 31	9.97	.06317	15.07	18.13	.05133	21.71	13.92	.02880	15.94	14.92	.01723	16.28
Sept. 30	9.97	.06003	15.16	17.78	.02511	21.32	13.92	.01595	15.96	14.35	.01790	15.68
Oct. 31	10.05	.06352	15.37	17.31	.02821	20.79	13.97	.01295	16.03	14.03	.01338	15.34
Nov. 30	10.17	.05989	15.65	18.58	.04155	22.36	14.53	.02528	16.71	14.28	.05980	15.68
Dec. 31	10.16	.06285	15.73	18.95	.05493	22.88	14.87	.01135	17.11	14.04	.05753	15.48



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